



Management Discussion and Analysis

Regional Market

The Group recorded a turnover of approximately HK\$117,774,000 for the year ended 31st March, 2004, an increase of 60.4% when compared to the figure of the corresponding period last year of approximately HK\$73,447,000. Turnover mainly attributed to the export business, of which approximately HK\$27,110,000 (23%) from Japan; approximately HK\$18,875,000 (16%) from North America; approximately HK\$57,813,000 (49%) from Hong Kong and Mainland China and approximately HK\$13,976,000 (12%) from other regions.

Product Range

The ratio analysis for major product range attributable to the Group's turnover for the year ended 31st March, 2004 is as follows: 53.6% for fur garments (2003: 79.4%); 46.4% for fur skin trading (2003: 20.6%). Turnover from fur skin trading recorded an increase of 262% when compared to the corresponding period last year.

Liquidity and Financial Resources

The Group generally derives cash for operation from internal cash flow and facilities from Hong Kong banks. As at 31st March, 2004, the Group had cash and cash equivalents of approximately HK\$47,947,000 (2003: HK\$71,901,000). As at 31st March, 2004, the Group had bank borrowings amounting to HK\$18,094,000 (2003: HK\$Nil) and the shareholders' funds amounting to HK\$269,779,000 (2003: HK\$226,878,000). Accordingly, the gearing ratio is 7% (2003: Nil).

As far as financial position is concerned, the Group continues to adopt a cautious policy. There are no long-term debts and the Group has sufficient funds for future business expansions and diversification in investments.

Foreign Exchange Exposure

The Group's businesses are mainly conducted in US Dollars and Renminbi, with minimal exposure to fluctuations in foreign exchanges.

Employees

As at 31st March, 2004, the Group employed around 300 employees in both Hong Kong and the Mainland. The Group's remuneration policies are primarily based on prevailing market wages and the performance of respective companies and individual employees concerned. Fringe benefits, including provident fund, Mandatory Provident Fund, medical benefits and training, are provided. The Group has also adopted a discretionary bonus programme for management and staff with awards determined annually based upon the performance of the Group and individual employees.